

DIGITALHONGKONG.COM 數碼香港
First Quarter Report 2010/11



www.digitalhongkong.com
Stock Code: 8007



ABOUT DIGITALHONGKONG.COM (STOCK CODE: 8007)

DIGITALHONGKONG.COM (“Digital HK”) has been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Exchange”) since April 2000. Started as a commerce service provider that specialised in providing outsourcing services for online commerce, Digital HK has strategically positioned itself to integrate both online and offline businesses, and to engage in technology investments focusing on healthcare and related opportunities.

Digital HK and its subsidiaries now operate the following complementary lines of business:

- provision of Internet and e-commerce enabling solutions, IT consulting and technical services
- strategic investments in selected technologies and applications
- investment in lifescience and health related projects

Digital HK is a subsidiary of Champion Technology Holdings Limited, the holding company of a communications software group listed on the Main Board of the Exchange.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.



DIGITALHONGKONG.COM

(incorporated in the Cayman Islands with limited liability)

FIRST QUARTER REPORT

For the three months ended 30 September 2010

Summary

The Group's unaudited consolidated loss for the three months ended 30 September 2010 was HK\$504,000, compared with a loss of HK\$491,000 for the corresponding period last year. No interim dividend is recommended for the period.

Quarterly Results for the Three Months Ended 30 September 2010 (Unaudited)

The board of directors (the "Board") of DIGITALHONGKONG.COM (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 30 September 2010 with the comparative unaudited figures for the corresponding period in 2009 as follows:

		Three months ended	
		30 September	
		2010	2009
	Notes	HK\$'000	HK\$'000
Turnover		786	724
Other income		4	6
General and administrative expenses		(390)	(435)
Marketing and promotion expenses		(85)	(56)
Staff costs		(819)	(730)
		<hr/>	<hr/>
Loss before taxation		(504)	(491)
Taxation	(2)	-	-
		<hr/>	<hr/>
Loss and total comprehensive expense for the period attributable to owners of the Company		(504)	(491)
		<hr/>	<hr/>
Loss per share – basic	(3)	HK(0.336) cents	HK(0.327) cents
		<hr/>	<hr/>

Notes:

1. Basis of preparation

The unaudited consolidated results of the Group have been prepared on the historical cost basis and in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants and include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30 June 2010.

2. Taxation

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit in both periods.

3. Loss per share

The calculation of the loss per share is based on the unaudited loss and total comprehensive expense for the period of HK\$504,000 (2009: HK\$491,000) and on the number of 150,000,000 (2009: 150,000,000) shares in issue throughout the period.

4. Movement of reserves

	Attributable to owners of the Company			
	Capital reserve HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2009	7,540	8,461	(14,877)	1,124
Loss and total comprehensive expense for the period	–	–	(491)	(491)
At 30 September 2009	<u>7,540</u>	<u>8,461</u>	<u>(15,368)</u>	<u>633</u>
At 1 July 2010	7,540	8,461	(17,355)	(1,354)
Loss and total comprehensive expense for the period	–	–	(504)	(504)
At 30 September 2010	<u>7,540</u>	<u>8,461</u>	<u>(17,859)</u>	<u>(1,858)</u>

Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2010 (2009: Nil).

Financial and Business Review

For the three months ended 30 September 2010, the Group recorded a turnover of HK\$786,000, compared with HK\$724,000 for the previous corresponding period. Loss for the period was HK\$504,000, compared with a loss of HK\$491,000 for the last corresponding period. Total operating costs were stable at HK\$1,294,000, compared with HK\$1,221,000 of the previous corresponding period.

Service fees derived from its enabling solutions and technical consultation on e-commerce integration and application customisation remained the primary source of income.

The Group's financial position remained positive, and did not have any bank borrowings as at 30 September 2010. It financed its operations primarily by internally generated cashflows.

Outlook

The Group will continue to manage its expenses while prudently pursue suitable investment opportunities that can expand its income and generate reliable cashflows.

Directors' Interests and Short Positions in Securities

As at 30 September 2010, the interests of the directors of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the required standard of dealings by the directors of the Company as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Exchange (the "GEM Listing Rules") were as follows:

Name of director	Capacity	Number of shares	Approximate percentage of the issued share capital	Number of convertible securities
<i>Securities of the Company</i>				
Mr. Paul Kan Man Lok	Corporate interest	Note 1	79.98%	–
<i>Securities of Champion Technology Holdings Limited ("Champion", the Company's holding company)</i>				
Mr. Paul Kan Man Lok	Corporate interest	Note 2	26.59%	Note 2
<i>Securities of Kantone Holdings Limited ("Kantone", a subsidiary of Champion)</i>				
Mr. Paul Kan Man Lok	Corporate interest	Note 3	53.79%	–

Notes:

1. 117,300,000 shares of the Company were held by Champion and 2,669,171 shares of the Company were held by Lawnside International Limited ("Lawnside"). Lawnside is beneficially wholly owned by Mr. Paul Kan Man Lok. As at 30 September 2010, Lawnside had interests in approximately 26.59% of the entire issued share capital of Champion. Mr. Paul Kan Man Lok was deemed to have corporate interest in the shares of the Company held by Champion and Lawnside.

2. 1,081,803,853 shares of Champion were held by Lawnside. Lawnside also held a convertible redeemable bond of Champion with outstanding principal amount of HK\$136,460,805.47 carrying the right to convert the principal amount of the bond or any part thereof into shares of Champion from 19 September 2008 to 19 September 2011 (after the exercise of the extension option by Champion on 12 August 2010) at the conversion price per share of the higher of (i) HK\$0.77 (after adjustment on 23 May 2009 as a result of a rights issue of Champion); and (ii) the volume-weighted average price of shares of Champion for the 10 dealing days ending on the day immediately preceding the date of a relevant conversion notice multiplied by a factor of 0.8. The bond has not been taken into account in calculating the percentage of the issued share capital of Champion held by Lawnside.
3. 2,815,507,171 shares of Kantone were held by Champion.

Save as disclosed above, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as at 30 September 2010 as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by the directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

Substantial Shareholder

As at 30 September 2010, the following person (other than the directors or chief executive of the Company) had interests or short positions in the share capital or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Long/short position	Capacity	Number of shares	Percentage of the issued share capital
Champion	Long	Beneficial owner	117,300,000*	78.20%

* See Note 1 to the "Directors' Interests and Short Positions in Securities" Section.

Save as disclosed above, no person had any interests or short positions in the shares or underlying shares of the Company according to the register of interests kept by the Company under Section 336 of the SFO as at 30 September 2010.

Competing Interests

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had an interest in a business which competed or might compete with the business of the Group or any other conflict of interests with the Group during the period under review.

Purchase, Sale or Redemption of the Company's Listed Securities

During the three months ended 30 September 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and this quarterly report.

By Order of the Board

Shirley HA Suk Ling

Director

Hong Kong, 3 November 2010

